



CITY OF MURFREESBORO
COMMUNITY DEVELOPMENT DEPARTMENT
HOUSING REHABILITATION PROGRAM

Policies and Procedures Manual



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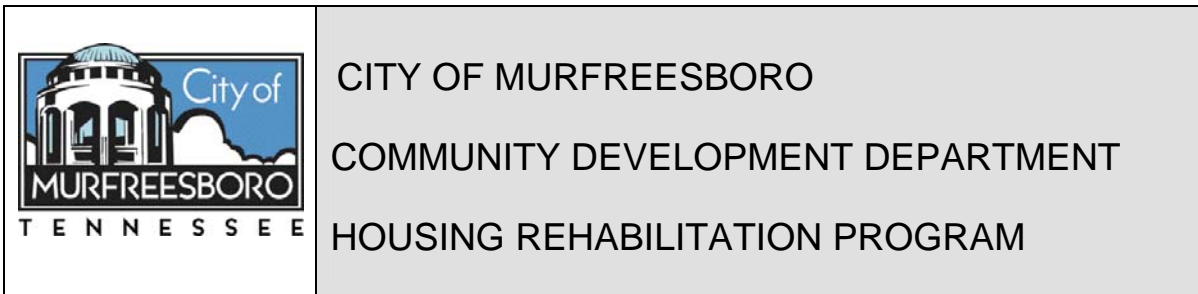
Home is more than a house. Home is where we make memories for a lifetime. Home is also an asset, an asset whose value the homeowner wants to protect. The City of Murfreesboro is committed to building a better quality of life for its residents and that includes insuring the city's homes remain safe and decent. Working through the Community Development Department, the City works to help homeowners protect what is probably their most valuable tangible asset, their home.

As a house ages, it can develop aches and pains, which, if allowed to continue untreated, may cause it to become unsafe. If homeowners and their property qualify, the Housing Rehabilitation Program may be able to help them return their home to a safe, sanitary and decent condition.

This manual explains the policies and procedures that govern the Housing Rehabilitation Program. Anyone who has questions or wants more information about the Housing Rehabilitation Program should contact the Murfreesboro Community Development Department (890-4660) or stop by its office in the McFadden Community Center (211 Bridge Ave.).

Revised December 2006





Policies and Procedures

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1. MURFREESBORO HOUSING REHABILITATION PROGRAM

1.1 PURPOSE

The Murfreesboro Housing Rehabilitation Program awards two types of forgivable loans:

- A five-year forgivable loan of up to \$25,000 to rehabilitate an eligible substandard housing unit;
- A 15-year forgivable loan to reconstruct an eligible substandard housing unit.

The dwelling must be an owner-occupied, single-family residence and be located within the corporate limits of Murfreesboro. Rehabilitation or reconstruction must correct building code deficiencies in the eligible units and make them safe, sound and sanitary.

1.2 AUTHORITY

The legal authority for this rehabilitation program comes from the City's working agreement with Tennessee Housing Development Agency, Public Law 101-625 (National Affordable Housing Act of 1990), the Federal Community Development Act of 1974, and any other applicable federal, state and local laws.

1.3 PROGRAM RESOURCES

Funding for rehabilitation activities comes from a U.S. Department of Housing and Urban Development Community Development Block Grant and a grant from the Tennessee Housing Development Agency (THDA).

1.4 APPLICABLE LAWS

The local governing body, contractors, subcontractors, vendors and applicants for rehabilitation assistance are required to abide by a number of State and Federal laws, and may be required to sign documents certifying their compliance. (*See Appendix A.*)

The term "housing code" includes but is not limited to the International Property Maintenance Code, the International Residential Code and other building and life safety codes adopted by the City and State of Tennessee.

2. ELIGIBILITY REQUIREMENTS - APPLICANT

2.1 ELIGIBILITY CRITERIA - The applicant must satisfy the following criteria to be eligible for program assistance:

- A. The applicant must be the owner of the property to be rehabilitated and have resided in the dwelling for not less than one year.
- B. The household income must be classified low or very low as defined by HUD Section 8 income requirements. (*See Appendix B.*)
- C. The applicant must be a U.S. citizen or a legal resident alien.
- D. Ownership must be in the form of either a fee-simple title or a 99-year leasehold, and the title must not have any restrictions or encumbrances that would unduly restrict the good and marketable nature of the ownership interest.
- E. The applicant must voluntarily apply for assistance. Participation in City of Murfreesboro programs is voluntary on behalf of the applicant and City. This relationship may be terminated by the client or the City. Because the relationship is voluntary, the applicant must request in writing the initial codes inspection.
- F. The applicant must be current on mortgage payments and all applicable property taxes.
- G. The applicant must not have received rehabilitation or reconstruction assistance from the City of Murfreesboro within the previous 10 years. Total rehabilitation assistance, including the assistance being applied for and previous assistance, may not exceed \$25,000 per applicant.
- H. The applicant must demonstrate the ability to maintain the dwelling with regard to ongoing maintenance and repairs, safety hazards and health/cleanliness issues.
- I. The applicant must maintain homeowner's insurance covering structure replacement during the grant compliance period.
- J. The applicant acknowledges resources (family/friends) are readily available if temporary relocation is necessary during the rehabilitation construction period.

3. ELIGIBILITY REQUIREMENTS - PROPERTY

3.1 DEFINITIONS

Three terms – “dwelling,” “single family” and “substandard” – are used in determining if a property is eligible for city housing rehabilitation funding assistance. For the purposes of the Murfreesboro Housing Rehabilitation Program, the terms are defined as follows:

DWELLING - Housing structure which is used entirely for residential purposes.

SINGLE FAMILY - Designated for single-family use, although more than one family may be residing therein, if every resident has access to all parts of the structure.

SUBSTANDARD - Failing to meet the minimum housing requirements as set forth in the International Property Maintenance Code as adopted by the City of Murfreesboro.

3.2 ELIGIBILITY CRITERIA - PROPERTY

- A. The dwelling unit must be located within the corporate limits of Murfreesboro.
- B. The dwelling unit must be classified as substandard with at least one major finding, based on a written, detailed inspection report by a Murfreesboro codes inspector.
- C. The dwelling unit must not have received funds from the Murfreesboro Housing Rehabilitation Program within the last 10 years.
- D. Rehabilitation or reconstruction assistance is not available for dwellings which have a lien because of funding from the City’s Affordable Housing Assistance Program.
- E. The dwelling unit must not be recognized or classified as a manufactured or mobile home.
- F. If the dwelling lies within a flood zone, flood insurance coverage must be carried by the homeowner.
- G. The applicant’s property must not have a history of being used for illegal activity or any other activity which impairs the physical or social environment of the unit or the neighborhood.

4. RANKING OF APPLICANTS

The Murfreesboro Housing Rehabilitation Program awards rehabilitation and reconstruction loans based on financial need of the household and the condition of the dwelling. Each household is ranked based on the criteria in Sections 4.2 and 4.3 and placed on a waiting list.

4.1 WAITING LIST

- A. When the application is complete, qualified applicants are assigned to a waiting list. The application is considered incomplete until all statements pertaining to income, benefits, assets, homeowner's insurance and employment have been verified by the Community Development Department. The homeowner will be notified by the department when the application is complete.
- B. Applications will be ranked based on financial need, the household with the greatest need first, the next household second and so on until funds allocated for rehabilitation are expended. The ranking system used by the Community Development Department considers the size and income of the household, the number of elderly (at least age 62 at time of application) residents in the household, number of disabled or handicapped residents in the household, the number of residents in the household who are 18 or under and whether the head of household is female. The ranking score is the total of all points from the financial need categories listed above.
- C. Should households have identical financial needs as established by the ranking system found in Section 4.2, condition of the dwelling structure will determine priority. Dwelling condition will be determined after an inspection by the Murfreesboro Building and Codes Department. If scores remain tied, the application with the earliest date of completion will have precedence.
- D. The Waiting List will be closed when the estimated costs for rehabilitation or reconstruction for approved applicants exceed 115 percent of that year's funding allocation. No new applications will be accepted until funding is again available.
- E. The Waiting List will be maintained by the Community Development Department and updated as applications are completed and households ranked. An applicant will be removed from the list when rehabilitation or reconstruction work commences. An applicant who qualifies for emergency repairs will not be removed from the Waiting List unless the emergency repairs satisfy the major code violation which qualified the dwelling for the housing rehabilitation program. At least once a year, usually in June, the month before the program year commences, applicants on the Waiting List will be contacted to verify they wish to remain on the list.

4.2 CRITERIA FOR RANKING FINANCIAL NEED

- A. INCOME/FAMILY SIZE - If the income based on household size (*See Appendix C.*) is less than the stated figure (80 percent of the area's median income), the household will receive points.

If income is 20% or less of program income limit - 70 points

If income is 21% to 40% of program income limit - 60 points

If income is 41% to 60% of program income limit - 40 points

If income is 61% to 99% of program income limit - 20 points

- B. NUMBER IN HOUSEHOLD

1 Person Household.....	5 points
2 Person Household.....	10 points
3 Person Household.....	15 points
4 Person Household.....	20 points
5 Person Household.....	25 points
6 Person Household.....	30 points
7 Person Household.....	35 points
8 Person Household.....	40 points

- C. NUMBER OF ELDERLY - 10 points for each household member who is at least age 62 at time of application

- D. NUMBER OF HANDICAPPED OR DISABLED - 10 points for each household member with a total or partial physical impairment which renders the person unable to work as shown by the receipt of disability benefits from Social Security, a pension program, a life insurance program or disability insurance.

- E. FEMALE HEAD OF HOUSEHOLD – 10 points per household

- F. NUMBER OF PERSONS 18 YEARS OLD OR YOUNGER -10 points per person.

4.3 CONDITION OF THE DWELLING STRUCTURE

<i>Standard</i>	Not eligible for assistance
<i>Substandard</i>	Dwelling rating will be the number of items not meeting the minimum standards of the International Property Maintenance Code as determined by an inspector from the Murfreesboro Building and Codes Department.
<i>Life threatening</i>	Eligible applicants will be considered for emergency grants (<i>See Appendix D.</i>) to make repairs when conditions present

an immediate threat to the health or safety of the household.

5. TERMS, CONDITIONS AND CONSIDERATIONS FOR ASSISTANCE

5.1 DETERMINATION OF THE AMOUNT OF THE GRANT – The minimum housing rehabilitation loan is \$1,000. The amount of rehabilitation assistance that an applicant may receive will not exceed the lesser of:

- A. Amount necessary to correct deficiencies identified by a certified codes inspector; or
- B. Maximum of \$25,000 exclusive of soft costs (e.g., lead paint assessments and clearances and cost of lead treatment); or
- C. Assessed value of the dwelling.

If the City Council feels the community would be better served by saving certain housing stock because of architectural or historical significance, consideration will be given to waiving the \$25,000 cap. A waiver would require favorable recommendations from the Community Development Director and the City Manager, approval of the Mayor and Council and, if HOME funding is to be used for the project, written permission from THDA.

5.2 STRUCTURE OF FINANCIAL ASSISTANCE - Program funds will be used to make forgivable loans, with a minimum compliance period of five (5) years from date of final acceptance by the owner. However, the following applies:

- A. To prevent owners from simply selling the property and profiting from the improvements funded by the City of Murfreesboro, owners must repay the program if they sell the property or convert it to rental property within the compliance period. Part of the owner's obligation is forgiven each year they live on the property.
- B. Repayment of the rehabilitation loan shall be based on a 20 percent reduction of the amount to be repaid per year, using the following schedule:

0 - 12 months	100% repayment
after one (1) year	80% repayment
after two (2) years	60% repayment
after three (3) years	40% repayment
after four (4) years	20% repayment
after five (5) years	Loan forgiven

- C. A lien is placed against the property and is activated if the owner attempts to sell within the five-year compliance period. Soft costs (e.g., inspections) are not included in the Deed of Trust; however, hard costs and project lead treatment costs are included.

- D. Loans must be repaid, in whole or in part if the property is sold during the compliance period, or if the dwelling is converted to rental property, or if the dwelling is abandoned. If the homeowner dies during the compliance period, the heirs may occupy the dwelling, rent it or leave it vacant without triggering the repayment clause. However, if the heirs sell the property, or if the property is sold by any actions of a court to settle outstanding claims or settle the estate, the loan must be repaid to the City of Murfreesboro. The purpose of Murfreesboro's Housing Assistance Program is to assist the homeowner and avoid real estate speculation.

5.3 OTHER GRANT CONDITIONS - Specific terms and conditions are incorporated in the grant application and the contract documents. The applicant agrees to comply with all terms in the grant application and the contract documents, and, additionally, to:

- A. Allow inspection of the property by the City whenever the City determines that such inspection is necessary;
- B. Furnish complete, truthful and proper documentation and information as needed to determine eligibility for receipt of rehabilitation assistance;
- C. Permit the contractor to use, at no cost, reasonable existing utilities such as gas, water and electricity which are necessary to the performance and completion of the work;
- D. Cooperate fully with the City and the contractor to ensure that the rehabilitation work will be carried out promptly;
- E. Defend, indemnify and hold harmless the City, its officials, employees and assigns, from all claims, demands, damages, actions, expenses, attorney's fees and causes of action that may arise from an act of God or nature during the rehabilitation of the property;
- F. Abide by all lead-based paint requirements outlined in the application for assistance;
- G. If the removal of lead-based paint hazards is necessary, have alternative housing during the time lead-based paint treatment is being done;
- H. Agree to maintain the property in a clean, neat and sanitary condition.

6. ELIGIBLE REHABILITATION ACTIVITIES

A rehabilitation loan may only cover the cost of rehabilitation necessary to make a dwelling conform to the local housing codes adopted by the City of Murfreesboro.

6.1 ELIGIBLE COSTS

- A. **EXISTING CODE VIOLATIONS** – The cost to correct existing violations that have been identified by a qualified housing inspector and formalized in an individualized housing report are eligible.
- B. **INCIPIENT CODE VIOLATIONS** - An incipient violation exists if at the time of inspection there is an element in the dwelling which, due to age, deterioration, wear, or normal usage will deteriorate within the life of the grant period and become a code violation. Costs to correct these potential violations are eligible.
- C. **PERMITS AND FEES** - Rehabilitation funds may be used to cover the cost of building permits and related fees required to carry out the proposed rehabilitation work. However, since the rehabilitation contract documents will require the contractor to pay them, these costs ordinarily would be included in the contract amount. Recording and filing fees are eligible costs.
- D. **EQUIPMENT** - Rehabilitation funds may provide for the repair or purchase and installation of certain basic equipment necessary for the maintenance of the household in a safe, sanitary and healthy environment. These include such items as heating furnace, water heater, electrical and sanitary fixtures, kitchen stove, refrigerator, cabinets and sinks. Purchase and installation is acceptable if there is no such equipment in the dwelling or if the existing equipment is unsafe, unsanitary or non-functional.
- E. **HANDICAPPED** - Special alterations or costs related with making the dwelling more convenient or accessible for handicapped persons are eligible costs. All work performance in these units must comply with all applicable codes as well as all Federal and State regulations.
- F. **ENERGY CONSERVATION** - All costs associated with weatherization and energy conservation in substantial rehabilitation or reconstruction, as determined by the housing inspector, must comply with Cost Effective Code 24 CFR 39.
- G. **LEAD-BASED PAINT** - All costs associated with the control of lead-based paint hazards must comply with 24 CFR 92.355.
- H. **EXTERIOR PAINTING** - Exterior painting is an eligible cost when it is necessary to maintain watertight exterior on the dwelling.
- I. **FURNITURE MOVING AND STORAGE** - The cost of moving or storing furniture during rehabilitation is an eligible expense. The homeowner's role in

moving or storing furniture during the construction phase of the project will be discussed during the pre-bid conference.

- J. **OTHER COSTS** - Rehabilitation costs not specifically required by the housing rehabilitation standards but found necessary for the safety, health and general welfare of the occupants of the structure may be considered for eligibility, with prior consent of the Murfreesboro City Council (and THDA when HOME funds would be expended), as well as any other cost as outlined in 24 CFR 92.214.

6.2 INELIGIBLE COSTS - Rehabilitation grants may not be used for:

- A. Renovation of detached accessory buildings;
- B. Appliances not required by code standards;
- C. Materials, fixtures, equipment, or landscaping of type or quality that exceeds that customarily used in the local jurisdiction for properties of the same general type as the property to be rehabilitated.

6.3 RECONSTRUCTION HOUSING – Sometimes rehabilitation is not feasible and reconstruction is the more cost-effective use of program funds. The \$25,000 cap is waived for reconstruction housing projects. Funding for reconstruction may not exceed limits set by THDA for the HOME program:

0-Bedroom (Efficiency) Limit - \$46,267
1-Bedroom Limit - \$53,036
2-Bedroom Limit - \$64,492
3-Bedroom Limit - \$83,430
4-Bedroom-or-more Limit - \$91,581

When reconstruction is recommended, a completed Preliminary Inspection Report, work write-up and cost estimate, a Request for Reconstruction, supporting documentation (a checklist or narrative stating deficiencies in the existing structure) and photographs must be submitted to THDA for review. If THDA concurs with the determination, written permission to proceed will be provided.

- A. **REPLACEMENT HOME GUIDELINES** - The intent of a reconstruction activity is to provide assistance to homeowners who otherwise might not be helped due to the prohibitive cost of rehabilitating the existing home. Funding for a replacement home, if deemed the most cost-effective solution to the housing deficiencies, shall be offered by the City of Murfreesboro.

- 1. Rehabilitation spending on an existing home is not authorized if a replacement home is declined by the homeowner.
- 2. If the unit is reconstructed, the repayment of the rehabilitation grant is forgiven over 15 years with a 6.66 percent reduction of the amount to be repaid per year, according to the following schedule:

0-12 months	100%	repayment
after one (1) year	93.34%	repayment
after two (2) years	86.68%	repayment
after three (3) years	80.02%	repayment
after four (4) years	73.36%	repayment
after five (5) years	66.70%	repayment
after six (6) years	60.04%	repayment
after seven (7) years	53.38%	repayment
after eight (8) years	46.72%	repayment
after nine (9) years	40.06%	repayment
after ten (10) years	32.40%	repayment
after eleven (11) years	26.74%	repayment
after twelve (12) years	20.08%	repayment
after thirteen (13) years	13.42%	repayment
after fourteen (14) years	6.76%	repayment
after fifteen (15) years		loan forgiven

3. A replacement home does not necessarily have to match the existing home in terms of square footage, number of bedrooms and bathrooms or other design/amenity consideration.
4. The replacement home must provide all permanent residents of the home with safe, decent, and sanitary housing within the terms of the International Residential Code as adopted by the City of Murfreesboro.

7. HOUSING REHABILITATION SPECIFICATIONS

7.1 INTRODUCTION – The City of Murfreesboro is responsible for determining the rehabilitation work necessary to bring a dwelling into conformance with codes and with the objective of the program. The City will:

- A. Inspect the property and prepare an inspection list noting code deficiencies;
- B. Consult with and advise the owner of the work to be done and the availability of rehabilitation assistance;
- C. Prepare a work write-up and cost estimate as a basis for rehabilitation assistance and for the bid process in contracting for the rehabilitation work.

7.2 PROPERTY INSPECTION AND SPECIFICATIONS CHECKLIST - The City of Murfreesboro will have the property inspected and have a report prepared that identifies each deficiency with respect to the housing code. The homeowner may also list other deficiencies and request repairs that may be eligible for correction through rehabilitation assistance. These reports provide the basis for preparing the work write-up, cost estimate and contract specifications.

7.3 WORK WRITE-UP AND COST ESTIMATE - The work write-up and cost estimate is a statement based on the code inspection and itemizes all the rehabilitation work to be done on the dwelling. The work write-up includes an estimate of the cost of each item. The cost estimate will be reasonable, reflect prevailing labor and material costs and reflect a reasonable profit for the contractor.

- A. **DUAL-USE OF WORK WRITE-UP** - The write-up will be detailed and specific in style. Each item will be identified as correcting a code violation, meeting a code requirement or an eligible cost. This same write-up without the cost estimate will serve as a part of the specifications for the construction bid documents.
- B. **ITEMIZING COSTS** - Each item of work and its estimated cost will be identified in the work write-up by entering the cost estimates in a columnar arrangement.
- C. **OWNER PREFERENCE** - A work write-up need not contain details such as color, style or pattern that have no significant effect on cost. The term “to be selected by owner” may be used appropriately.

7.4 CONSULTATION WITH HOMEOWNER/APPLICANT - The City of Murfreesboro will consult with the homeowner on the work write-up and cost

estimate. The homeowner must understand that “general property improvements” or “cosmetic” improvements are not eligible for funding. Only work that is directed toward correcting a code violation, meeting a code requirement or is an eligible activity can be funded. The final work write-up (without costs) will be used by contractors for determining their bids and incorporated into the rehabilitation contract documents that the homeowner and contractor will sign. The homeowner should initial each page of the write-up and sign the last page.

- 7.5 SPECIFICATIONS** - The work write-up will provide a clear, detailed understanding of the nature and scope of the work to be done because it serves as a basis for bids from contractors. The homeowner should have a clear understanding of the nature and scope of the work to be done and any limitations that may exist.
- A. Each write-up will show the nature and location of the work and the quantity and types of material required.
 - B. The specifications will refer to manufacturers’ brand names or association standards to identify quality of material and equipment and may make provision for acceptable substitutes or quality. Brand name requirements may be included in the “General Conditions and Specifications” and indicated by reference in the work write-up.

8. LEAD-BASED PAINT PROVISIONS

Lead-based paint is a proven health hazard and can lead to lead poisoning. Childhood lead poisoning is a particularly pernicious environmental disease. Although the use of lead-based paint was banned in 1978, HUD estimates about 80 percent of the homes built before 1980 have some lead-based paint. The Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X) requires housing rehabilitation programs which receive federal assistance to test for the presence of lead-based paint and take appropriate action to reduce the hazard.

8.1 REQUIREMENTS FOR REHABILITATION ASSISTANCE

- A. Subpart J of Title X deals specifically with rehabilitation of housing units constructed prior to 1978. The requirements in regards to lead-based paint are dependent on the cost of the rehabilitation. (*See Appendix E.*) Costs of site preparation, occupant protection, relocation, interim controls, abatement, clearance and waste handling attributed to lead-based paint hazard reduction are not to be included when determining cost of rehabilitation. However, these costs plus the cost of rehabilitation must not exceed the City's subsidy limit.
- B. This program will adhere to state guidelines on lead-based paint where applicable.

9. CONTRACTING FOR REHABILITATION WORK

Rehabilitation work will be undertaken only through a written contract between the contractor and the property owner receiving the loan. This section sets forth requirements and procedures with respect to contractor qualifications and construction contracts for housing rehabilitation financed through rehabilitation assistance.

9.1 REQUIREMENTS AND PROCEDURES

- A. **CONTRACTOR** - The term “CONTRACTOR” applies to the firm bidding on work or receiving an award. The firm must hold a current Tennessee General Contractor license. Contracts for emergency repairs may be awarded to business vendors whose services are appropriate for the work being done (i.e., a roofing contractor, plumber or licensed electrician) but who may not necessarily be licensed general contractors. These vendors must have current licensure applicable to their specialty.
- B. **INSURANCE** – Before commencing work, the contractor shall submit to the City of Murfreesboro a certificate of insurance as evidence of the coverage required.
 - The contractor shall carry or require that there be carried Workers’ Compensation Insurance for all employees and those of subcontractors engaged in work at the site in accordance with Tennessee State Workers’ Compensation Laws.
 - The contractor shall carry or require that there be carried Public Liability Insurance. This insurance will be in an amount not less than \$500,000 for injuries including accidental death to any one person and for one accident, and to protect the contractor and subcontractors against claims for injury to or death of one or more than one person because of accidents which may occur or result from operations under the contract. Such insurance shall cover the use of all equipment including but not limited to excavating machinery, trenching machines, cranes, hoists, rollers, concrete mixers, and motor vehicles in the construction of the rehabilitation embraced in their contract.
- 3. The contractor shall carry during the life of the contract Property Damage Insurance in the amount of not less than \$100,000 to protect the contractor and subcontractors from claims for property damage which might arise from operations under their contract.
- C. **FORM OF CONTRACT** - The construction contract will consist of a single document signed by the contractor and the property owner. It will contain a bid, the General Conditions and Specification by reference, the work write-up that specifies the work to be done and a listing of the existing code violations.

- D. **USE OF ALTERNATES** - The document prepared by the City may contain alternates by which each bidder may increase or decrease the lump sum contract price.
- E. **PROCUREMENT OF BIDS** - The City of Murfreesboro will advertise openly and publicly for bids and encourage minority and female-owned firms to bid on its projects.
- F. **PRE-BID WALK-THROUGH** - Contractors will be required to attend and participate in a pre-bid walk-through of the property.

9.2 GENERAL CONDITIONS - The bid package will include the following:

- A. The address, time and date by which the bid should be submitted by the contractor;
- B. A provision that the bid be accepted by the homeowner within a specified length of time;
- C. A provision that the contractor begin work within a specified length of time;
- D. A statement concerning the acceptability of progress payments;
- E. A provision that final payment on the contract amount will be made only after final inspection, acceptance of all work by the City and the homeowner, and after the City receives the contractor's invoice and release of liens, and claims for liens by any subcontractors, laborers and material suppliers for completed work or supplied materials; and
- F. Provisions that the contractor will be required to:
 - 1. Obtain and pay for all permits and licenses necessary for the completion and execution of the work and labor to be performed;
 - 2. Perform all work in conformance with applicable local codes and requirements, whether or not covered by the specifications and drawings for the work;
 - 3. Keep the premises clean and orderly during the course of the work and remove all debris at the completion of the work. Materials and equipment that have been removed and replaced as part of the work shall belong to the contractor, unless specifically stated otherwise within the work write-up;
 - 4. Not assign the contract without written consent of the City and the homeowner;
 - 5. Guarantee the work performed for a period of one year from the date of final acceptance by the owner and with the approval of the City of all work required by the contract; (*See Appendix F.*) furthermore, furnish the homeowner, in care of the City of Murfreesboro, with all manufacturers' and suppliers' written guarantees and warranties covering materials and equipment furnished under the contract;
 - 6. Include a statement as to whether the premises are to be either occupied or vacant during the course of construction work; and
 - 7. A provision that the contractor may use existing utilities without payment during the course of the work.

- 9.3 WORK WRITE-UPS, SPECIFICATIONS AND DRAWINGS** – The City of Murfreesboro will prepare specifications, based on the code inspection, the work write-up and illustrative sketches, if any, covering the specific rehabilitation work for each property to be. The specifications will:
- A. Clearly identify code violations;
 - B. Work to correct those violations;
 - C. Include any unusual features or limitations; and
 - D. Be initialed on each page by the homeowner and signed on the signature page by the homeowner.
- 9.4 INELIGIBLE CONTRACTORS** – The City may determine a contractor is ineligible to bid on projects if:
- A. The contractor does not have a valid Tennessee General Contractor license; or
 - B. The contractor is listed on the Federal or State debarred list or is on the City's ineligible list for failure to complete warranty repairs; or
 - C. There is documented proof that the contractor has not paid material suppliers; or
 - D. The contractor has not completed projects within the allotted time frame; or
 - E. There exist complaints by homeowners about quality of the contractor's work and performance.
- 9.5 INVITATION TO CONTRACTORS FOR BID AND PROPOSAL**
- A. The City of Murfreesboro will advertise for contractors in a local and/or regional newspaper at least once each year.
 - B. The City will accept applications from contractors throughout the life of the program.
 - C. The City will develop and maintain a list of contractors, including minority and female headed firms within the region.
 - D. The City will notify in a timely fashion in writing all contractors on list when bid packages are available.
- 9.6 SELECTION OF A SUCCESSFUL BIDDER** - The opening of the sealed bids must meet these conditions:
- A. The bid opening must be open to the public. Bidders must list current licensure on the front of the bid envelop. Bid tabulations will be kept on file at the Community Development Department. The lowest bid from an eligible contractor will generally prevail unless it exceeds the amount of the construction budget or if, in the City's judgment, it is not responsive to the bid specifications.
 - B. There must be **at least three competitive bids** by eligible contractors. A "no-bid" is not considered a valid bid.

- C. Questions concerning contractor eligibility shall be decided prior to opening bids. The City will confirm contractor eligibility with THDA.
- D. The City may limit the number of projects awarded to any one contractor at any one time based upon the contractor's demonstrated manpower and resources.
- E. If all bids exceed the amount of the construction budget, the City may not negotiate solely with the low bidder. The project can be re-bid or changed in scope. If the project is changed, each bidder must be given the opportunity to bid again. Bidders must be informed that they have the right to change their original unit prices as long as they conform to the revised bid specifications. The City will maintain documentation to demonstrate this process was followed.
- F. If there are not at least three competitive bids from eligible contractors, the project must be re-bid. The homeowner will be advised if no acceptable bids are received and that the project will be re-bid. If after the project has been re-bid there still are not three bids, the City will contact THDA. Before awarding the contract, THDA must approve waiving the three-bid requirement.
- G. Should the homeowner decide to accept a bid other than the lowest qualified bid, the homeowner must state the reasons or justification in writing to the City. If the homeowner's justification is not acceptable, the homeowner will be required to finance any rehabilitation that exceeds the lowest qualified bid through personal resources.

9.7 AWARD OF CONSTRUCTION CONTRACT

- A. The successful bidder will be required to post a performance bond equal to 100 percent of the contract amount.
- B. The contract will become effective upon the signatures of the homeowner and contractor and with the City's endorsement following approval of the contract by the Mayor and Council. The City will distribute the executed contract documents as follows: original to the Community Development Department, copy to homeowner, copy to contractor.

10. INSPECTION, CLOSE-OUT AND PAYMENT FOR REHABILITATION WORK

10.1 RESPONSIBILITY FOR MAKING INSPECTIONS - Inspection of construction will be performed by the City or its designee as follows:

- A. Compliance inspections will be made as often as necessary to assure that the work is being completed in accordance with the City's building, electrical, mechanical and plumbing codes, zoning regulations, and any other related State or local laws and ordinances.
- B. Inspections will be made as often as necessary to ensure that the work being performed is in accordance with the terms of the construction contract.

10.2 CHANGE ORDERS – Situations which did not show up during the work write-up are not uncommon in the housing rehabilitation process, and they can change the scope of work, especially if the new problem must be resolved to correct the underlying code deficiency. In such a case, a change order may be initiated.

- A. Conditions necessitating a change order must meet the guidelines in Section 3 and Section 6 of the Housing Rehabilitation Program Policies and Procedures.
- B. Change orders must be submitted in writing to the Community Development Department. The City inspector assigned to the project, the homeowner, the contractor and the Community Development Director must sign off on the change order.
- C. Because a change order may alter the City's financial commitment to the project, all change orders should be approved by the Murfreesboro Mayor and Council. Change orders shall be submitted to the Mayor and Council for approval in a timely manner. If waiting until the next scheduled meeting of the Council will unreasonably delay the rehabilitation project, the Community Development Director may recommend to the City Manager approval of the change order. If the City Manager approves the change order, which must be less than \$10,000 in amount, it will take effect immediately and will be reported to the Mayor and Council at its next meeting.
- D. Any change order for more than 10 percent of the original contract amount must be submitted to THDA for approval if THDA funding is involved.
- E. A change order that would cause the cost of the project to exceed the \$25,000 cap must be approved by the Mayor and Council and THDA (if THDA funding is involved) before work on the change order may proceed.

10.3 PROGRESS PAYMENTS - No more than one progress payment will be made on a rehabilitation project, and that only after at least 60 percent of the project is deemed complete. The payment will be no more than 50 percent of the contract amount, as modified by change orders, if any. Up to three interim payments will be allowed on reconstruction projects. Progress payment will be made only after

the City's representative has completed an inspection and all work performed to date has been accepted by the homeowner.

10.4 FINAL PAYMENTS

- A. **FINAL INSPECTION** - Upon completion of the rehabilitation work, a final inspection is held by the City. Any uncompleted work or work that is unsatisfactory is noted on a final "punch list" and sent to the contractor in writing. When these items are completed to the satisfaction of the homeowner and the City's inspector, the contract is complete.
- B. **CERTIFICATION** - After the City determines that the rehabilitation work has been fully and satisfactorily completed, it will prepare a Certificate of Completion and Final Inspection.
- C. **OWNER STATEMENT OF ACCEPTANCE** - The homeowner's signature of the Certificate of Completion and Final Inspection indicates acceptance the rehabilitation work as meeting the terms and conditions of the contract. If the homeowner refuses to sign the final acceptance, the City may authorize full payment for those items which are undisputed and acceptable to all parties.

11. GRIEVANCE PROCEDURE

Disputes between the homeowner, the City of Murfreesboro and contractor may arise from time to time during the rehabilitation project. In those instances where a mutually satisfactory agreement cannot be reached between the parties, the Grievance Procedure will be followed. The Grievance Procedure will be made a part of the contract between the homeowner and the contractor.

If there is a dispute:

- A. The grievance by the homeowner or contractor is to be filed with the Community Development Director in writing.
- B. The Community Development Director will meet with the homeowner and contractor and attempt to negotiate a solution.
- C. If the Community Development Director is unable to negotiate a solution, contact the THDA Community Programs Division (615-741-3007) for assistance.

If these steps are unsuccessful, all claims or disputes between the owners and contractor arising out of or related to the work shall be decided by arbitration in accordance with the construction industry arbitration rules of the American Arbitration Association then obtaining, unless the parties mutually agree otherwise.

If the arbitrator's award is in a sum which is less than that which was offered in settlement by the contractor, the arbitrator may award costs and attorney's fees in favor of the contractor. If the award of the arbitrator is in a sum greater than that which was offered in settlement by the owners, the arbitrator may award costs and attorney's fees in favor of the owner.

The contract and the rehabilitation specifications, along with the housing code compliance inspection, provide the basic documentation by which the relative merits of any dispute will be judged.

12. MISCELLANEOUS

- 12.1 CONFLICT OF INTEREST OF PUBLIC OFFICIALS** - No elected or appointed Federal, State and local official, member of the Murfreesboro City Council, or any other public official or employee who exercises any functions or responsibilities in conjunction with the administration of Murfreesboro Housing Rehabilitation Program shall have any interest, direct or indirect, in the proceeds or benefits of the rehabilitation grant program. In those cases where the interest may not be direct or indirect and the conflict of interest is only “apparent”, the City of Murfreesboro must contact THDA’s Community Programs Division for clarification before proceeding. THDA will not routinely consider requesting an exemption to the conflict of interest provisions from HUD.
- 12.2 KICKBACKS AND DISCOUNTS** - No member of the Murfreesboro City Council or any City of Murfreesboro employee shall receive kickbacks or discounts from either contractors or property owners in return for special favors in regard to housing rehabilitation.

APPENDIX A - Applicable Laws

1. Flood Disaster Protection Act of 1973 (42 U.S.C. 4001-4128 and 24 CFR 92.358)
2. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA)(42 U.S.C. 4201-4655), (46 CFR Part 24, and 24 CFR 92.353)
3. Debarment and Suspension provisions as required by 24 CFR Part 24 and 24 CFR 92.357.
4. National Environment Policy Act of 1969 (NEPA), 24 CFR Parts 50 and 58, and 24 CFR 92-352.
5. Equal Opportunity Provisions and Fair Housing, 42 CFR 92.350.
6. Affirmative Marketing, 24 CFR 92.351.
7. Lead-based Paint Poisoning Prevention Act, 24 CFR 92.355.
8. Conflict of Interest Provisions, 24 CFR 85.36 and OMB Circular A-110, and 24 CFR 92.356.
9. Davis-Bacon Act and Contract Work Hours and Safety Standards Act, and 24 CFR 92.354.
10. Intergovernmental Review of Federal Programs, Executive Order 112372 and 24 CFR 92.359.
11. Drug-Free Workplace, 24 CFR part 24, subpart F.
12. Standard Equal Opportunity Construction Contract Specifications.
13. Certification on Non-segregated Facilities for Contracts Over \$10,000.
14. Title VI of Civil Rights Act of 1964 Provisions.
15. Section 109 of Housing and Community Development Act of 1974 Provisions.
16. Section 3 Compliance Provisions.
17. Age Discrimination Act of 1975 Provisions.
18. Section 504 Affirmative Action for Handicapped Provisions.
19. And any other Federal requirements as set forth in 24 CFR Part 92, HOME Investment Partnerships Program.

APPENDIX B – Income Eligibility

A. ANNUAL INCOME (GROSS INCOME) – Murfreesboro’s Housing Rehabilitation Program uses the income definitions of the HUD Section 8 program in determining the annual income (gross income) used to classify a household for purposes of eligibility. Annual income means all amounts, monetary or not, which:

1. Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member;
2. Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date. In other words, it is the household’s *future* or *expected* ability to pay rather than its past earnings that is used to determine program eligibility. If it is not feasible to anticipate a level of income over a 12-month period, the income anticipated for a shorter period may be annualized, subject to a re-determination at the end of the shorter period; and
3. Are not specifically excluded in paragraph G (Income Exclusions) below.
4. Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.
5. **MONTHLY GROSS INCOME** – Monthly gross income is Annual Gross Income divided by 12 months.

B. ASSETS - In general terms, an asset is a cash or non-cash item that can be converted to cash. There is no asset limitation for participation in Murfreesboro’s Housing Rehabilitation Program. Income from assets is, however, recognized as part of Annual Gross Income. Assets have both a market value and a cash value.

1. **MARKET VALUE** - The market value of an asset is simply its dollar value on the open market. For example, a stock’s market value is the price quoted on a stock exchange on a particular day, and a property’s market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties.
2. **CASH VALUE** - The cash value of an asset is the market value less reasonable expenses required to convert the asset to cash, including:
 - a. Penalties or fees for converting financial holding. Any penalties, fees, or transaction charges levied when an asset is converted to cash are deducted from the market value to determine its cash value (e.g., penalties charged for premature withdrawal of a certificate of deposit, the transaction fee for converting mutual funds, or broker fees for converting stocks to cash); and/or
 - b. Costs for selling real property. Settlement costs, real estate transaction fees, payment of mortgages/liens against the property, and any legal fees

associated with the sale of real property are deducted from the market value to determine equity in the real estate.

c. Under Section 8 rules, only the cash value (rather than market value) of an item is counted as an asset.

C. INCOME FROM ASSETS - The income counted is the actual income generated by the asset (e.g., interest on a savings or checking account). The income is counted even if the household elects not to receive it. For example, although a household may elect to reinvest the interest or dividends from an asset, the interest or dividends is still counted as income.

1. The income from assets included in Annual Gross Income is the income anticipated to be received during the coming 12 months.
 - a. To obtain the anticipated interest on a savings account, the current account balance can be multiplied by the current interest rate applicable to the account; or
 - b. If the value of the account is not anticipated to change in the near future and interest rates have been stable, a copy of the IRS 1099 form showing past interest earned can be used.
 - c. Checking account balances (as well as savings account balances) are considered an asset. This recognizes that some households keep assets in their checking accounts, and is not intended to count monthly income as an asset. The City uses the average monthly balance over a 6-month period as the cash value of the checking account.
2. Assets above and below \$5,000 are treated differently.
 - a. If the family's assets are \$5,000 or less, actual income from assets (e.g., interest on checking account) is counted as annual income.
 - b. If the family's assets are greater than \$5,000, income from assets is computed as the greater of:
 - i. actual income from assets, or
 - ii. imputed income from assets based on a passbook rate applied to the cash value of all assets.
3. Applicants who dispose of assets for less than fair market value (i.e., value on the open market in an "arm's length" transaction) have, in essence, voluntarily reduced their ability to afford housing. Section 8 rules require, therefore, that any asset disposed of for less than fair market value during the two years preceding the income determination be counted as if the household still owned the asset.
 - a. The value to be included as an asset is the difference between the cash value of the asset and the amount that was actually received (if any) in the disposition of the asset.
 - b. Each applicant must certify whether an asset has been disposed of for less than fair market value. Not included in this calculation are assets disposed of

for less than fair market value as a result of foreclosure, bankruptcy, divorce or separation.

c. These procedures are followed to eliminate the need for assets limitation and to penalize people who give away assets for the purpose of receiving assistance or paying a lower rent.

D. ASSETS INCLUDE:

1. Amounts in savings accounts and six-month average balance of checking accounts.
2. Stocks, bonds, savings certificates, money market funds and other investments accounts.
3. Equity in real property or other capital investments. Equity if the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset. The equity of the principal residence is not included as an asset by Murfreesboro's Housing Rehabilitation Program.
4. The cash value of trusts that are available to the household.
5. IRA, Keogh and similar retirement savings accounts, even though withdrawal would result in penalty.
6. Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.
7. Assets which, although owned by more than one person, allow unrestricted access by the applicant.
8. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims.
9. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
10. Cash value of life insurance policies.
11. Assets disposed of for less than fair market value during two years preceding certification or recertification.

E. ASSETS DO NOT INCLUDE:

1. Necessary personal property, except personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
2. Interest in Indian Trust lands.
3. Assets that are part of an active business or farming operation.

NOTE: Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant's main occupation.

4. Assets which are not accessible to the family and which provide no income to the family.
5. Vehicles especially equipped for the handicapped.
6. Equity in owner-occupied cooperatives and manufactured homes in which the family lives.

F. INCOME INCLUSIONS - The following are used to determine the annual income (gross income) of an applicant's household for purposes of eligibility:

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
2. The net income for operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (B)(2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, Annual Income shall include the greater of the actual income derived from net family assets or a percentage of the value of such assets based on the current passbook saving rate, as determined by HUD.
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum payment or prospective monthly amounts for the delayed start of a periodic amount (except Supplemental Security Income (SSI) or Social Security).
5. Payments in lieu of earnings, such as unemployment, workers compensation and severance pay (but see paragraph (3) under Income Exclusions).
6. Welfare Assistance. If the Welfare Assistance payment includes an amount specifically designed for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
 - a. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
 - b. The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from on application of the percentage.
7. Periodic and determinable allowance, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;

8. All regular pay, special pay and allowances of a member of the Armed Forces.

G. INCOME EXCLUSIONS - The following are excluded from a household's income for purposes of determining eligibility:

1. Income from employment of children (including foster children) under the age of 18 years;
2. Payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family, who are unable to live alone);
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (but see paragraph (C)(5) above);
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
5. Income of a live-in aide;
6. The full amount of student financial assistance paid directly to the student or to the educational institution;
7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
8. Amounts received:
 - a. Under training programs funded by HUD;
 - b. By a Disabled person that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
 - c. By a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care etc.) which are made solely to allow participation in a specific program;
 - d. From incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded must be received under employment training programs with clearly defined goal and objectives, and are excluded on for the period during which the family member participates in the employment training program.
9. Temporary, nonrecurring or sporadic income (including gifts);
10. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
11. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse);
12. Adoption assistance payments in excess of \$480 per adopted child;
13. For public housing only, the earnings and benefits to any family member resulting from the participation in a program provided employment training

and supportive services in accordance with the Family Support Act of 1988, Section 22 of the 1937 Act, or any comparable federal, state, or local law during the exclusion period.

14. Deferred periodic payments of supplemental security income and social security benefits that are received in a lump sum payment or in prospective monthly amounts.
15. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on a dwelling unit.
16. Amounts paid by a state agency to a family with a developmentally disabled family members living at home to offset the cost of services and equipment needed to keep the developmentally disabled family members at home; or
17. Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions apply.
 - a. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
 - b. Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through VISTA; Retired Senior Volunteer Program, Foster Grandparents, Program, youthful offenders incarceration alternatives, senior companions);
 - c. Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(a))
 - d. Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 259e);
 - e. Payments or allowances made under the department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f));
 - f. Payments received under programs funded in whole or in part under the Job Training Partnership Act;
 - g. Income derived from the disposition of funds of the Grand River Band of Ottawa Indians;
 - h. The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commissioner or the Court of Claims (25 U.S.C. 1407-1408) or from funds held in trust for an Indian tribe by the Secretary of Interior (25 U.S.C. 117);
 - i. Amounts of scholarships funded under Title IV of the Higher Education Act of 1965 including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
 - j. Payment received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056(f));
 - k. Any earned income tax credit to the extent it exceeds income tax liability;
 - l. Payments received after Jan. 1, 1989, from the Agent Orange Settlement Fund or any other funds established pursuant to the settlement in the In Re Agent Orange product liability litigation MDL No. 381 (E.D.N.Y.);

- m. The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);
- n. Payments received under the Maine Indian Claims Settlement Act of 1980.

H. TIMING OF INCOME CERTIFICATIONS - All households receiving assistance from Murfreesboro's Housing Rehabilitation Program must be income eligible. Income certification must be completed before assistance begins. A preliminary determination of eligibility may be made much earlier in the process.

- 1. Income verification must be dated no earlier than six months prior to eligibility.
- 2. The City of Murfreesboro calculates the annual income of the household by projecting the prevailing rate of income of the family at the time the City determines that the family is income eligible. The City is not required to re-examine the family's income at the time the assistance is provided, unless more than six months has elapsed since the City determined that the family qualified as income eligible.

I. INCOME VERIFICATION – The City of Murfreesboro will verify and retain documentation of all information collected to determine a household's income. Under the Section 8 Program, there are three forms of verification which are acceptable: third-party, review of documents, and applicant certification.

- 1. **THIRD-PARTY VERIFICATION** - Under this form of verification, a third party (e.g., employer, Social Security Administration, or public assistance agency) is contacted to provide information. Although written requests and responses are generally preferred, conversations with a third party are acceptable if documented through a memorandum to the file that notes the contact person and date of the call.
 - a. To conduct third party verifications, the City will obtain a written release from the household that authorized the third party to release required information.
- 2. **REVIEW OF DOCUMENTS** - Documents provided by the applicant (such as pay stubs, IRS returns, etc.) may be most appropriate for certain types of income and can be used as an alternative to third-party verifications. Copies of documents should be retained in project files.
- 3. **APPLICANT CERIFICATION** - When no other form of verification is possible, a certification by the applicant may be used. For example, it may be necessary to use an applicant certification for an applicant whose income comes from "odd jobs" paid for in cash.

In some cases, the City may supplement applicant certification by reviewing the applicant's income tax return from the previous year to determine if the current year's income is consistent with activity for the previous year.

J. CALCULATION METHODOLOGIES

1. Applicants must report how their pay is calculated - hourly, weekly, bi-monthly (24 pay periods a year), every two weeks (26 pay periods a year), monthly or other – and how much they are paid for that period. This information will be used to calculate annual gross income.
2. Applicants must indicate whether overtime is sporadic or a predictable component of an applicant's income.
3. Annual salaries are counted as Annual Income regardless of the payment method. For instance a teacher receives an annual salary whether paid on a 9 or 12- month period.

K. DETERMINING WHOSE INCOME TO COUNT - Under the Section 8 definition of income, the following income *is not counted*:

1. **INCOME OF LIVE-IN AIDES** - If a household includes a paid live-in aide (whether paid by the family or social service program), the income of the live-in aide, regardless of its source, is not counted. (Except under unusual circumstances, a related person can never be considered a live-in aide).
2. **INCOME ATTRIBUTABLE TO THE CARE OF FOSTER CHILDREN** - Foster children are not counted as family members when determining family size to compare with the Income Limits. Thus, the income a household receives for the care of foster children is not included; and
3. **EARNED INCOME OF MINORS** - Earned income of minors (age 17 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, AFDC payments, and other benefits paid on behalf of a minor) is counted.
4. **TEMPORARILY ABSENT FAMILY MEMBERS** - The income of temporarily absent family members is counted in Annual Income - regardless of the amount the absent family member contributes to the household. For example, a construction worker earns \$600/week at a temporary job on the other side of the State. He keeps \$200/week for expenses and send \$400/week home to his family. The entire \$600/week is counted in the family's income.
5. **ADULT STUDENTS LIVING AWAY FROM HOME** - If the adult student is counted as a member of the household in determining the Income Limit used for eligibility of the family, the student's income must be counted in the family's income.
6. **PERMANENTLY ABSENT FAMILY MEMBER** - If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of the household has the choice of either counting that person as a member of the household, and including income attributable to that person as household income, or specifying that the person is no longer a member of the household.

APPENDIX C – Program Income Limits

To receive funding from the Murfreesboro Housing Rehabilitation Program, the household's annual gross income may not exceed 80 percent of the median income in the Nashville-Murfreesboro MSA. To receive emergency repair funding assistance, the household's annual gross income must be less than 50 percent of the median income in the Nashville-Murfreesboro MSA. These numbers are determined by HUD and are subject to change. Below are the income limits currently in effect:

Family Size	Annual Income – 80%	Annual Income – 50%
1	\$ <u>34,500</u>	\$ <u>21,550</u>
2	\$ <u>39,450</u>	\$ <u>24,650</u>
3	\$ <u>44,350</u>	\$ <u>27,700</u>
4	\$ <u>49,300</u>	\$ <u>30,800</u>
5	\$ <u>53,250</u>	\$ <u>33,250</u>
6	\$ <u>57,200</u>	\$ <u>35,750</u>
7	\$ <u>61,150</u>	\$ <u>38,200</u>
8	\$ <u>65,100</u>	\$ <u>40,650</u>

Nashville-Murfreesboro MSA, Effective March 2006

How the ranking system works

Example – Mr. Smith, his wife and their disabled son reside in a home which has at least one major code violation. Smith is 69, his wife is 63 and the son is 30. The combined annual gross income of the household is \$25,224 (\$2,102 a month). The program income limit for a household of three is \$44,350.

$\$25,224/\$44,350 = 56.9\%$	-	40 points
Number in household = 3	-	15 points
Number of elderly in household = 2	-	20 points
Number of disabled in household = 1	-	10 points
Female head of household? No	-	0 points
Youth 18 or under in household? No	-	0 points
Total financial need points for household	-	85 points

APPENDIX D – WARRANTY WORK

All rehabilitation work done by the Contractor shall be warranted for one year from the date the homeowner signs the *Certificate of Completion and Final Inspection* indicating acceptance of the rehabilitation work as meeting the terms and conditions of the contract.

Should the homeowner notify the Community Development Department of a warranty claim, the department will:

1. Review rehabilitation project documents to determine if the complaint might be related to the work done;
2. Conduct an on-site inspection accompanied by the contractor or a designee to investigate the request for warranty work;
3. If an on-site inspection determines the requested repair is under warranty, the contractor will have 10 working days to resolve the warranty issue. Another inspection by the City will determine if the terms of the warranty have been satisfied.
4. If the complaint is not resolved within 10 days, a second notice will be issued to the contractor giving an additional five working days to resolve the warranty issue. If the complaint remains unaddressed or resolved unsatisfactorily, the contractor may be ruled ineligible for further participation in the Murfreesboro Housing Rehabilitation Program;
5. A contractor ruled ineligible will be notified by certified mail. The contractor may appeal the ruling within 15 working days of receiving notification. The appeal must be in writing, addressed to the Community Development Director, City of Murfreesboro, P.O. Box 1139, Murfreesboro, TN 37133;
6. When an appeal is received, the Community Development Director will investigate and either restore the contractor's eligibility for program participation or sustain the earlier decision. The director reserves the right to report a contractor who fails to honor his contractual obligations to THDA and the U.S. Department of Housing and Urban Development with a recommendation for disbarment;
7. Before the Community Development Department will consider restoring eligibility, a contractor will be required to reimburse the City for any expense incurred to have another contractor satisfy the ineligible contractor's warranty work.